USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 8/25/2004

GAIN Report Number: HK4019

Hong Kong

Livestock and Products

Annual

2004

Approved by:
David Wolf
U.S. Consulate General, Hong Kong

Prepared by:
Caroline Yuen

Report Highlights:
Hong Kong's ban on U.S. beef products led to a loss of approximately $55 million, in terms of export value, during the past eight months. Hong Kong consumers have not reacted negatively to the BSE case in the U.S. but beef supplies from other countries have now taken over the U.S. market share. Many industry professionals feel that it will be a challenge for the U.S. to regain its previous market share after Hong Kong re-opens its market to U.S. beef. Both beef and pork consumption are forecast to rise in 2004, particularly pork, due to the substitution effect resulting from the shortage of chicken. Imports of chicken from China were banned in early 2004 and the number of live chicken imports to Hong Kong is still restricted to a level below demand. Hong Kong's pork imports are expected to rise in 2004 due not only to the substitution effect but also to escalating prices. Traders have a big incentive to increase their pork imports when they expect prices will continue to rise in the near future.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Hong Kong [HK1]
[HK]

Table of Contents

Situation and Outlook

U.S. beef is not allowed entry into Hong Kong since December 24, 2003 following the single BSE case in the United States. According to the U.S. statistics, the United States exported $82 million worth of beef products, including offals, to Hong Kong in 2003. Hong Kong was the 5th largest export market of U.S. beef, in terms of value. Based on last year's export value, Hong Kong's ban on U.S. beef is translated to approximately a loss of $6.8 million export value each month. The estimated loss for the past eight months amounted to $55 million.

The BSE crisis was mentioned in the media right after Hong Kong's announcement of the temporary suspension of U.S. beef. It was not reported since then. Consumers did not have a strong negative reaction to the BSE case in the United States. They generally regarded it as another BSE case as those that happened in Japan or Canada. The Hong Kong trade is very eager to get U.S. beef back into the market. They have recently organized a U.S. Beef Imports Concern Group. They wrote to and met with senior Hong Kong government officials, expressing their desire to be able to buy U.S. beef again.

The BSE case in the United States does not pose any negative setback on beef consumption in Hong Kong. Beef consumption actually increased 2 percent in January – May 2004 when compared to the same period last year due to the substitution effect from chicken. China is a major source of live chickens for the Hong Kong market. Due to the avian influenza outbreak in China in early 2004, Hong Kong suspended the importation of China's live birds between January 30 to April 20 and poultry meats from January 30 to March 22. As a result of the short supplies of poultry meats, consumers have shifted much of the consumption to pork and beef, particularly the former. This substitution is still at play because the Hong Kong government is limiting the number of live chicken imports to Hong Kong. As such, the forecast for 2004 beef consumption is 95,000 MT, rising slightly over 1 percent from 2003.

Although Hong Kong's beef consumption is not adversely affected by the U.S. BSE case, future U.S. beef sales may have a bumpy road to regain its once-established market share once the ban is lifted because Hong Kong consumers and caterers have already got accustomed to supplies from other competitors. U.S. beef is now almost entirely out of stock in the Hong Kong market. The once strong U.S. market share has been taken up various competitors. Beef from New Zealand and Australia have largely occupied the upscale market. Their beef is widely sought after though prices are very expensive. Caterers have bought in Australian Angus beef and have found quality very satisfactory. Meanwhile, Brazil and Argentina have increased their beef exports to Hong Kong, primarily supplying the medium to low-end market.

Pork imports for 2004 is forecast to rise 5 percent. The estimated growth is based on two factors. First, the substitution effect of chicken products as explained earlier. Secondly, pork prices have been very high and importers are expecting high prices will continue into the second half of the year. Therefore, buyers have a big incentive to stock up so as to reduce loss due to ever escalating costs.

The import of U.S. pork to Hong Kong rose tremendously in the first half of 2004. The lowering of average U.S. pork prices by 7 percent (table 16) has certainly helped the growth. In addition, more pork menu have been promoted in the absence of U.S. beef. Nonetheless, U.S. pork is relatively expensive and its consumption is limited to very high-end restaurants and hotels.

Statistical Tables – Meat, Beef, and Veal

PS&D Table

Hong Kong							
Meat, Beef and Veal (1000 MT CWE)(1000 HEAD)							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Slaughter (Reference)	0	0	0	0	0	0	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	13	13	13	13	0	12	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	81	81	69	82	0	78	(1000 MT CWE)
TOTAL Imports	81	81	69	82	0	78	(1000 MT CWE)
TOTAL SUPPLY	94	94	82	95	0	90	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Exports	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	94	94	82	95	0	90	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	94	94	82	95	0	90	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	94	94	82	95	0	90	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	15	16	11	2	0	2	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Note: PS&D production figures include local and imported live cattle for slaughter. Import and export numbers are in carcass-weight-equivalent using a 1.36 conversion factor for all fresh/chilled and frozen beef and 1.79 for processed beef. Imports are calculated as Imports minus Re-exports. Exports are calculated as Exports minus Re-exports.

Table 1: Supply and Consumption of Live Cattle (head)

	2000	2001	2002	2003
Local Supply	120	148	138	19
Imports	56,856	50,651	47,912	45,333
Total	56,976	50,799	48,050	45,352

Source: Hong Kong Agriculture, Fisheries and Conservation Department

Table 2: Average Retail Prices of Beef Relative to Pork and Poultry (Freshly Slaughtered)

US$/kg	2000	2001	2002	2003	2004 Jan – May
Beef (best quality)	$7.17	$7.20	$7.15	$7.20	$7.19
Beef (belly flesh)	$5.34	$5.36	$5.35	$5.45	$5.47
Pork (best cut)	$4.87	$4.54	$4.26	$4.10	$4.09
Pork Chop	$5.92	$5.58	$5.18	$4.89	$4.87
Chicken (top grade)	$4.49	$4.60	$4.58	$4.22	$5.48

Source: Hong Kong Census & Statistics Department
Exchange Rate: US$ 1 = HK$7.75

Table 3: Average Retail Prices of Beef Relative to Pork and Chicken (Frozen)

Product Categories	Weight	HK$ (US$1 = HK$7.75)
chuck (Brazil)	2 lb	38
knuckle (Brazil)	1 lb	13
fore shank (Brazil)	2 lb	20
short loin (Brazil)	12 ounces	32
Rib fingers (Brazil)	2 lb	45
US Bone-in Ribeye	1 lb	148
short ribs (US)	2 lb	66
sirloin	1 lb	56
pork chop (Brazil)	2 lbs	24
boneless pork chop (Brazil)	1 lb	13
bone-in pork chop (US)	2 lb	44
loin (US)	1 lb	10.50
whole chicken wings (Brazil)	5 lb	30
whole broiler legs (USA)	2 lb	14
boneless thigh meat (Brazil)	2 lb	18
whole chicken (Brazil)	about 3.3 lb	26 each

source : Retailer

Table 4: Average Wholesale Prices of Live Cattle

US$/MT	1999	2000	2001	2002	2003	2004 Jan -
Live Cattle	2,551	2,373	2,356	2,360	2,449	2,378

Source: Hong Kong Census & Statistics Department

Table 5: Hong Kong Beef Imports in Quantity by Suppliers, Jan – May

					Market Share		
	MT 2002	MT 2003	MT 2004	% change	2002	2003	2004
--The World--	22,169	26,704	24,988	-6%	100%	100%	100%
Brazil	4,766	7,480	9,208	23%	21%	28%	37%
China	5,902	6,077	6,599	9%	27%	23%	26%
Argentina	948	2,203	3,296	50%	4%	8%	13%
New Zealand	1,421	1,817	1,488	-18%	6%	7%	6%
United States	4,914	6,285	917	-85%	22%	24%	4%
Australia	1,368	720	893	24%	6%	3%	4%

Table 6: Hong Kong Beef Imports in Value by Suppliers, US$ million, Jan – May

	Millions of Dollars				Market Share		
	2002	2003	2004	% change	2002	2003	2004
--The World--	52.8	63.3	60.4	-5%	100%	100%	100%
Brazil	7.7	11.5	18.5	60%	15%	18%	31%
China	9.7	10.4	11.2	8%	18%	16%	19%
New Zealand	5.7	7.7	8.6	11%	11%	12%	14%
Australia	5.4	3.9	7.4	89%	10%	6%	12%
Argentina	1.2	2.9	6.0	108%	2%	5%	10%
United States	18.4	23.8	4.3	-82%	35%	38%	7%
Canada	1.0	0.5	1.4	160%	2%	1%	2%
Netherlands	0.4	0.3	0.7	106%	1%	1%	1%

Table 7: Average Import Prices & Market Share

	January - December		Jan - May	% change	January - December		Jan - May
Country	$/KG 2002	$/ KG 2003	$/ KG 2004		2002	2003	2004
--The World--	2.4	2.74	2.42	-12%	100%	100%	100%
Brazil	1.71	1.74	2.01	16%	22%	28%	37%
United States	3.33	4.93	4.73	-4%	28%	25%	4%
China	1.65	1.71	1.7	-1%	21%	21%	26%
Argentina	1.54	1.52	1.83	20%	5%	9%	13%
New Zealand	3.74	4.47	5.76	29%	7%	6%	6%
Australia	3.91	5.39	8.32	54%	5%	3%	4%

Table 8: Hong Kong Beef Imports by Categories, MT, Jan - May

	MT 2002	MT 2003	MT 2004	% change
chilled beef	1,172	1,486	1,119	-25%
frozen beef	16,977	20,535	19,686	-4%
processed beef	4,019	4,683	4,183	-11%
beef	**22,169**	**26,704**	**24,988**	**-6%**
variety meats, beef	38,616	44,441	41,500	-7%

Table 9: Hong Kong Beef Re-exports by Categories, MT, Jan – May

	MT 2002	MT 2003	MT 2004	% change
chilled beef	59	54	6	-90%
frozen beef	3,030	3,395	1,494	-56%
processed beef	1,614	915	672	-27%
beef	**4,703**	**4,363**	**2,171**	**-50%**
variety meats, beef	30,043	39,079	20,689	-47%

Table 10: Hong Kong's Retained Beef Imports, MT, Jan – May

	MT 2002	MT 2003	MT 2004	% change
chilled beef	1,113	1,432	1,113	-22%
frozen beef	13,947	17,140	18,192	6%
processed beef	2,405	3,769	3,511	-7%
beef	**17,466**	**22,341**	**22,817**	**2%**
variety meats, beef	8,573	5,362	20,811	288%

Table 11: Hong Kong's Beef Offal Imports by Major Suppliers, MT, Jan - May

					Market Share		
	MT 2002	MT 2003	MT 2004	% change	2002	2003	2004
--The World--	38,616	44,441	41,500	-7%	100%	100%	100%
Brazil	19,806	24,029	25,202	5%	51%	54%	61%
Argentina	7,783	6,559	9,034	38%	20%	15%	22%
Uruguay	1,089	1,937	1,912	-1%	3%	4%	5%
Australia	2,127	2,173	1,484	-32%	6%	5%	4%
United States	5,040	5,966	835	-86%	13%	13%	2%
New Zealand	466	720	747	4%	1%	2%	2%

Statistical Table – Meat, Swine

PS&D Table

Hong Kong Meat, Swine (1000 MT CWE)(1000 HEAD)							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Slaughter (Reference)	0	0	0	0	0	0	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	146	145	146	148	0	146	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	302	302	335	317	0	320	(1000 MT CWE)
TOTAL Imports	302	302	335	317	0	320	(1000 MT CWE)
TOTAL SUPPLY	448	447	481	465	0	466	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Exports	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	448	447	481	465	0	466	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	448	447	481	465	0	466	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	448	447	481	465	0	466	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	5	3	6	4	0	4	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Note: PS&D production figures include local and imported pigs slaughtered in Hong Kong. All numbers used in the PS&D table are in carcass-weight-equivalent (CWE), using a conversion factor of 1.51. Imports are calculated as Imports minus Re-exports. Exports are calculated as Exports minus Re-exports.

Table 12: Supply and Consumption of Live Pigs (head)

	2000	2001	2002	2003
Local Supply	445,900	465,000	444,300	390,900
Imports	1,858,862	1,840,454	1,733,020	1,767,538
Total	2,304,762	2,305,454	2,177,320	2,158,438

Source: Hong Kong Agriculture, Fisheries and Conservation Department

Table 13: Average Wholesale Prices of Live Pigs (head)

US$/MT	2000	2001	2002	2003	2004 (Jan – May)
Live Pigs	1,672	1,643	1,628	1,620	1,666

Exchange Rate: US$1.00 = HK$7.75
Source: Hong Kong Census & Statistics Department

Table 14: Hong Kong Pork Imports in Quantity by Suppliers, MT, Jan – May

					Market Share		
	MT 2002	MT 2003	MT 2004	% change	2002	2003	2004
--The World--	95,011	100,382	117,936	17%	100%	100%	100%
China	36,564	43,005	52,755	23%	38%	43%	45%
Brazil	22,189	22,637	18,698	-17%	23%	23%	16%
Germany	5,756	8,893	10,098	14%	6%	9%	9%
Netherlands	5,761	4,795	7,980	66%	6%	5%	7%
Vietnam	4,824	2,724	6,842	151%	5%	3%	6%
Canada	4,834	5,187	4,820	-7%	5%	5%	4%
Denmark	3,901	3,239	4,805	48%	4%	3%	4%
United States	2,225	1,643	2,788	70%	2%	2%	2%
Thailand	5,589	4,483	2,151	-52%	6%	4%	2%

Table 15: Hong Kong Pork Imports in Value by Suppliers, Jan – May

	Millions of Dollars				Market Share		
	2002	2003	2004	% change	2002	2003	2004
--The World--	140	133	160	20%	100%	100%	100%
China	61	66	80	21%	44%	50%	50%
Brazil	32	28	28	-1%	23%	21%	17%
Vietnam	7	4	11	154%	5%	3%	7%
Netherlands	6	5	8	54%	4%	4%	5%
Germany	4	5	6	27%	3%	4%	4%
Thailand	15	11	6	-50%	11%	9%	4%
United States	5	4	6	47%	4%	3%	3%
Canada	4	3	4	24%	3%	3%	3%
Denmark	2	2	3	58%	2%	2%	2%

Table 16: Average Pork Prices & Market Share

	Avg Price (US Dollars)				Market Share		
	January - December		Jan-May 2004		January - December		Jan-May
Country	$/Kg 2002	$/Kg 2003	$/Kg 2004	% change	2002	2003	2004
--The World--	1.43	1.3	1.35	4%	100%	100%	100%
China	1.61	1.5	1.52	1%	42%	42%	45%
Brazil	1.33	1.25	1.48	18%	22%	20%	16%
Germany	0.61	0.59	0.63	7%	7%	9%	9%
Netherlands	1	0.97	1	3%	5%	5%	7%
Canada	0.78	0.74	0.88	19%	4%	5%	4%
Denmark	0.66	0.63	0.73	16%	4%	5%	4%
Thailand	2.67	2.53	2.63	4%	6%	4%	2%
United States	2.22	2.14	2.00	-7%	2%	2%	2%

Table 17: Hong Kong Pork Re-exports by Destination, MT, Jan - May

					Market Share		
	MT 2002	MT 2003	MT 2004	% change	2002	2003	2004
--The World--	16,091	19,398	29,897	54%	100%	100%	100%
China	14,073	17,598	27,855	58%	87%	91%	93%
Macau	1,767	1,566	1,997	28%	11%	8%	7%

Table 18: Hong Kong Pork Offal Imports by Major Suppliers, Jan - May

					Millions of Dollars			
	MT 2002	MT 2003	MT 2004	% change	2002	2003	2004	% change
--The World--	86,067	73,138	84,924	16%	63	49	79	60%
Denmark	15,036	13,151	20,030	52%	10	8	19	119%
United States	16,268	14,592	16,484	13%	14	13	19	53%
Netherlands	15,009	7,846	11,998	53%	11	5	11	109%
Germany	11,220	17,835	10,761	-40%	7	10	8	-25%
Canada	8,852	8,071	9,835	22%	6	5	9	91%
Brazil	4,706	3,963	3,980	0%	4	3	3	15%

Table 19: Hong Kong Pork Offal Re-exports by Destination, MT, Jan – May

	MT 2002	MT 2003	MT 2004	% change
--The World--	75,518	67,437	70,926	5%
China	75,302	67,213	70,735	5%
Macau	212	199	144	-28%

Table 20: Hong Kong Retained Imports of Pork and Offal, MT, Jan – May

	MT 2002	MT 2003	MT 2004	% change
Pork	78,920	80,984	88,039	9%
Offal, pork	10,548	5,701	13,998	146%

Table 21: U.S. Pork Exports to Hong Kong, MT, Jan - May

					Millions of Dollars			
	MT 2002	MT 2003	MT 2004	% change	2002	2003	2004	% change
chilled pork	7	4	12	190%	0.05	0.03	0.11	248%
frozen pork	861	456	1,141	150%	1.11	0.79	2.01	152%
processed pork	1,357	1,183	1,634	38%	3.79	2.98	3.47	16%
pork	**2,225**	**1,643**	**2,788**	**70%**	**4.95**	**3.81**	**5.58**	**47%**
variety meats, pork	16,268	14,592	16,484	13%	14.14	12.52	19.14	53%

Source : Hong Kong Census & Statistics Department - World Trade Atlas

Narrative on Supply and Demand, Policy & Marketing

Production

There has not been any significant change in production since the last report.

The number of live pigs imported from China increased almost 7 percent between January – May 2003 and 2004. The increased demand for pork has been ascribed to the short supply of chicken resulting from Hong Kong's temporary ban on chicken imports from China in early 2004. The ban was imposed as a result of the avian influenza outbreak in China. Presently, the Hong Kong government is still restricting the number of live chicken imports from China to around 30,000 head daily, when the normal demand used to be around 100,000 head each day. The reduced supply of live chicken has pushed up the demand for pork indirectly. There is no indication that the Hong Kong government will lift the quantity restriction on chicken imports, hence, the forecast for pork production will rise to 148,000 MT in 2004, representing a 2 percent rise from 2003.

Reverting the trend of ever decreasing wholesale prices of pig in previous years, prices have picked up in the past few months. The major reason is that China has experienced high feed prices leading to high pig prices for exports. Also, chilled pork imports from Thailand, which have been an acute competitor of fresh pork in the market, have dropped significantly by 59 percent between January – May 2003 and January - May 2004.

Local supplies account for approximately 23 percent of total supply. Despite the rise of wholesale prices of pigs in the past months, local production will not rise due to capacity limitation. Farmers generally do not see the pig production industry in Hong Kong as promising, thus they do not have any incentive in making big investment in their businesses.

The fresh pork industry is expecting huge competition with chilled pork imports from China. Currently, chilled pork imports are not allowed into Hong Kong. The Hong Kong government has been working on an import protocol with the Mainland Chinese authority with regard to the importation of chilled pork from China. Initially the importation was planned to start in summer 2004. It did not materialize by then and is expected to take place next year. Chilled pork is likely to have more competitive pricing thus would impose a big threat to the fresh pork industry.

In the first three months of 2004, there were 4 cases of foot and mouth disease in Hong Kong involving 742 pigs and 1 case of classical swine fever with 300 pigs infected.

Hong Kong does not raise cattle. Supplies rely entirely on imports from China.

Due to the BSE case in the U.S., the importation of live cattle from the United States is not allowed. The importation of hides and skins, and semen and embryos is allowed provided that shipments are companied by valid health certificates. APHIS and the Hong Kong Agriculture, Fisheries and Conservation Department have agreed on the required certifications.

Consumption

The BSE case in the United States was fairly reported in Hong Kong when it was first announced. The news on Hong Kong's ban on U.S. beef products caught consumers' attention for a brief initial period but local media has not reported on the subject since then. Overall the BSE case in the United States has not created any significant negative impact on beef consumption. Beef consumption in Hong Kong, for the first five months of 2004, actually increased.

The Avian Influenza outbreak in the region led to Hong Kong's suspension of poultry imports from China including live, chilled, and frozen chicken products in February and March 2004. Due to short supplies of chicken products, consumers have shifted their consumption to beef and pork. The imports of live cattle and pigs from China rose by 2 percent and 7 percent respectively between January – May 2003 and 2004. Retained imports of chilled/frozen beef and pork also rose 2 percent (table 10) and 9 percent (table 20) respectively.

Though the importation of poultry products from China has resumed, the number of live chickens imported to Hong Kong is currently limited to 30,000 head daily, which is far less than the normal demand for 100,000. The reduced supply drives consumers to buy chilled chicken, beef or pork products instead. There is no indication as to when the importation of live chickens will return to normal level. As such, the consumption of pork and beef for 2004 will likely rise higher than last year particularly for pork since Hong Kong people prefer pork to beef. The 2004 beef and pork consumption is expected to rise 1 percent and 4 percent respectively.

While Hong Kong caterers/consumers fully recognized the high quality of U.S. beef, most of the stock of U.S. beef was gone after three months' ban on imports. High-end restaurants are forced to look for supplies from other countries. They go to Australia. After six months' trial of Australian beef, many consumers and caterers claim to have gotten used to the flavor of Australian beef. They concluded that Australian beef has a different texture and a different flavor but the quality is good. Consumers/caterers commented that Australian Angus is coming very close to US prime and Australian grain-fed beef has a flavor somewhere between the grass-fed Australian and the grain-fed US beef. Some even indicated that they would continue to use Australian beef even American beef returns to the market. In short, consumers in general do not have a negative reaction to US beef following the BSE crisis in the U.S. but the incident provided an opportunity for Hong Kong consumers to try and get familiar with beef from other countries. It is in this sense that the consumption of US beef may initially be affected in the future when it returns to Hong Kong.

Meanwhile, Hong Kong importers expressed their strong desire to have the ban lifted in writing and in a meeting with senior government officials. HK companies/groups have recently organized a U.S. Beef Imports Concern Group and have held informal meetings to discuss what their industry can do to get U.S. beef back on the tables of Hong Kong.

The Hong Kong government commissioned a consultant in October 2002 to conduct a study on fresh meat consumption in Hong Kong. It was found that January is the month in a year with the highest average daily consumption of fresh meat. (January is a winter month and the Chinese New Year always falls in January.) The major findings are listed in the following tables.

Forecasts on average daily number of pigs and cattle slaughtered over the whole year

Year	Daily number of pigs slaughtered	Daily number of cattle slaughtered
2005	5,770	111
2006	5,660	103
2007	5,550	97

Number of Pigs and Cattle Slaughtered and Per Capita Fresh Pork and Fresh Beef Consumption, 1980 – 2003

Year	No. of pigs slaughtered	No. of cattle slaughtered	Per Capita Fresh Pork Consumption Kg	Per Capita Fresh Beef Consumption Kg
1993	2,721,763	136,372	18.0	4.40
1994	2,707,316	131,899	17.3	3.87
1995	2,605,047	108,440	16.8	3.32
1996	2,532,046	80,042	16.2	2.68
1997	2,429,050	59,651	15.6	2.13
1998	2,356,516	64,579	15.4	2.40
1999	2,238,809	60,651	15.0	2.24
2000	2,313,959	58,077	16.1	2.17
2001	2,303,609	50,646	16.6	1.92
2002	2,165,300	47,766	16.4	1.83
2003	2,156,864	45,318	16.4	1.72

Trade

Beef
As a result of Hong Kong's ban on U.S. beef since December 24, 2003, Hong Kong's import of U.S. beef dropped drastically by 85 percent between January – May 2003 and 2004. The market share contracted correspondingly from 24 percent in 2003 to 4 percent currently. In contrast, beef imports in quantity from other suppliers rose: 23 percent for Brazil, 50 percent for Argentina, and 24 percent for Australia. Supplies from other countries have taken up the void of the market due to the absence of US beef.

Australian beef has taken up much of the US prime beef market. Importers bring in Australian grain-fed and Angus beef. A 10-ounces Australian Angus steak costs around HK$320 (US$42) at a high-end restaurant. Between January – May 2003 and 2004, the imports of Australian beef rose 24 percent in volume but 89 percent in value, showing that Hong Kong now imported more quality beef from Australia. The average import price actually rose 54 percent (table 7).

Imports from Argentina surged for 50 percent in quantity and 108 percent in value (tables 5 & 6). Grain fed Argentina beef is also served in Hong Kong restaurants. The Argentina and Brazilian rib fingers have replaced the once popular U.S. products. The medium to low-end markets are filled with beef from various countries including Brazil, Argentina and Australia.

Hong Kong consumers regarded the U.S. BSE incident as another BSE case as those in Japan and Canada. They do not have a strong negative reaction to the incident. Conversely, given the periodic outbreak of avian influenza in the region, the substitution effect from chicken to beef will continue to be at play in 2004. As such, the forecast for beef imports (excluding re-exports) for 2004 will slightly increase by 1 percent to meet increased domestic demand.

Pork

Due to the ban of U.S. beef, many restaurants are promoting more pork or lamb dishes. This is one major reason leading to the significant jump of U.S. pork to Hong Kong (70 percent between January - May 2003 and 2004) (table 14). U.S. chilled pork in particular recorded 190 percent rise in volume compared between the first five months of 2003 and 2004 (table

21). U.S. chilled pork has a very niche market by supplying to extremely high-end restaurants and supermarkets as prices in general are too expensive for ordinary restaurants. Popular cuts include filet and pork loin. Nonetheless, the average prices of U.S. pork dropped 7 percent between January – May 2003 and January – May 2004. This was another reason that contributed to the significant jump of U.S. pork exports to Hong Kong in the past few months.

Hong Kong's economy has gradually picked up since late 2003. The catering industry has benefited from the buoyant inbound tourism largely spearheaded by tourists coming from Mainland China. When coupled with the fact that the importation of live chickens from China is not yet up to normal and U.S. beef is still banned, Hong Kong's pork imports (excluding re-exports) may rise 5 percent for 2004 reaching a level of 317,000 MT.

However, another major reason that supports the 5 percent growth of pork in 2004 is the high pork prices. In 2004, pork prices from China have risen due to rising prices of feeds and strong pork demand in China. Hong Kong traders have also faced high prices from pork supplied by other countries including Brazil. The strong demand for pork in the Russian market has pushed up pork prices. Hong Kong traders tend to buy more and increase their stock as they expect prices will continue to rise. Therefore, the forecast of 5 percent growth in 2004 is based on the substitution effect between different meat products, a better economy and the expectation of rising pork prices.

Re-exports

Traders commented that China has been aggressively engaged in anti-smuggling activities. Also, the Chinese government does not issue enough import permits to meet demand. Consequently, huge volume of offals has been stuck in Hong Kong, as evidenced by the figures of retained offal imports in Hong Kong. The volume of retained imports of beef offals and pork offal rose 288 percent (table 10) and 146 percent (table 20) respectively, when compared between January – May 2003 and 2004. The tremendous surge in retained imports was not due to domestic demand. These products were meant for the China market but are stuck in Hong Kong when the transport channel has been blocked. In the beginning of 2004, some American beef products were shipped to China under the coverage of Brazilian or Argentina permits. The Chinese government soon blocked the loophole by reducing the number of permits for Brazilian and Argentina products.

According to a new regulation announced by China's State Administration for Quality Supervision, Inspection and Quarantine (AQSIQ), all meat re-exports from Hong Kong to China are required to apply for a re-export pre-inspection license from an appointed agent in Hong Kong, effective November 1, 2004. No detailed information is yet available. Traders, however, appear not very concerned at this time over the new measure.

Policy

All U.S. beef products, raw and processed, are not allowed entry to Hong Kong as a result of the BSE case in the United States. USDA through ATO Hong Kong is in close negotiation with the Hong Kong government for the opening of the Hong Kong market. The lobbying effort was accelerated with the visits by USDA officials, including the Under Secretary for Farm and Foreign Agricultural Services, who had had serious discussion with senior Government officials. In early July, a BSE technical team comprising experts from FAS, APHIS and FSIS came to Hong Kong and held technical discussions with the Hong Kong government. A representative from FDA also joined the discussion through a videoconference. The discussions were all very constructive and both governments are now engaged in technical details in the context of resuming trade. Both parties agreed that the dialogue was on the right track of making progress.

In March 1996, importation of beef from the United Kingdom was suspended following the first report of Variant Creutzfeldt-Jakob disease in the UK and its possible relationship with BSE in cattle. The import suspension was lifted in September 1999. Imports are allowed provided that beef imports can comply with OIE and EU standard. Importation of beef from Japan, Canada and the United States was suspended in September 2001, May 2003 and December 2003 respectively.